International Labour Conference
90th Session 2002

Report IV (1)

Promotion of cooperatives

International Labour Office Geneva

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Fourth item on the agenda

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INTRODUCTION

On 20 June 2001 the International Labour Conference, meeting in Geneva at its 89th Session, adopted the following resolution:

The General Conference of the International Labour Organization,

Having adopted the report of the Committee appointed to consider the fifth item on the agenda,

Having in particular approved as general conclusions, with a view to the consultation of governments, proposals for a Recommendation concerning the promotion of cooperatives;

Decides that an item entitled "Promotion of cooperatives" shall be included in the agenda of its next ordinary session for second discussion with a view to the adoption of a Recommendation.

By virtue of this resolution and in accordance with article 39, paragraph 6, of the Standing Orders of the Conference, the Office is required to prepare, on the basis of the first discussion by the Conference, the text of a proposed Recommendation and to communicate it to governments so as to reach them not later than two months from the closing of the 89th Session of the Conference, asking them to state within three months, after consulting the most representative organizations of employers and workers, whether they have any amendments to suggest or comments to make.

The purpose of this report is to transmit to governments the text of the proposed Recommendation based on the Conclusions adopted by the Conference at its 89th Session.

In accordance with the Standing Orders of the Conference, any amendments or comments with regard to the proposed text should be submitted as soon as possible and in any case so as to reach the Office in Geneva not later than 30 November 2001. Governments which have no amendments or comments to put forward are asked to inform the Office by the same date whether they consider that the proposed text is a satisfactory basis for discussion by the Conference at its 90th Session.

In accordance with article 39, paragraph 6, of the Standing Orders of the Conference, governments are requested to consult the most representative organizations of employers and workers before they finalize their replies, and to indicate which organizations they have consulted. This consultation is also required by Article 5(1)(a) of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), for countries which have ratified this Convention. The results of the consultation should be reflected in the governments' replies. In addition, given the nature of the proposed Recommendation, governments may wish to consult national cooperative organizations, if they exist.

PROPOSED TEXT

The text of a proposed Recommendation concerning the promotion of cooperatives is given below. This text is based on the Conclusions adopted by the International Labour Conference following the first discussion at its 89th Session (hereinafter referred to as "the Conclusions").

The report of the Committee on the Promotion of Cooperatives, appointed by the Conference to consider this item (hereinafter referred to as "the Committee"), together with the record of the discussion in plenary session, are contained in the *Provisional Record* of the Conference (*Provisional Record* Nos. 18 and 21).[1]

A number of minor drafting changes have been incorporated in the proposed instrument in the interest of greater clarity, to bring the two official language versions of the texts into line with one another or to harmonize certain provisions.

In addition, in response to requests from the Committee to review the drafting of several points, the Office invites comments on various formulations designed to clarify the text. The Office also invites comments on a number of issues that the Committee had indicated would be specific subjects for the second discussion in June 2002.

In the commentary below, the Office has made an effort to address some of the questions that were raised during the discussions in the Committee and in plenary session. The Office requests that Members reflect on these points and submit their comments for inclusion in Report IV(2), which the Office is required to prepare in accordance with article 39, paragraph 7, of the Standing Orders of the Conference.

[1] These texts are reproduced in the *Record of Proceedings* of the 89th Session of the International Labour Conference. They can also be consulted on the website of the International Labour Office: www.ilo.org. Copies will be sent on application to the Distribution Unit, ILO, CH-1211 Genève 22.

Proposed Recommendation

Preamble

(Point 3 of the Conclusions)

The Office has established a standard preambular text which incorporates all the references in Point 3 of the Conclusions. The instruments mentioned in the fifth paragraph of the Preamble have been put in chronological order.

Paragraph 2

(Point 5 of the Conclusions)

Some Committee members proposed to replace the word "and" between "social" and "cultural" by the words "and/or". Notwithstanding the ambiguous meaning of the term "and/or", the Office decided to retain the original text since in this context the word "and" includes the sense of "or".

The Office invites comments as to whether or not the term "democratic management" at the end of the Paragraph should be replaced by the term "democratic control", which seems to better reflect the specific ownership structure of cooperatives, and which would make the text consistent with Paragraph 3(b).

Paragraph 3

(Point 6 of the Conclusions)

Clause (a)

The term "entraide" in the French text does not have exactly the same meaning as the term "self-help" in the English text. The French term "auto-assistance" does have the meaning of "self-help", but is not common in the French language. Members' suggestions are solicited for more appropriate French terms.

Paragraph 4

(Point 7 of the Conclusions)

The Paragraph has been reworded to avoid the use of the word "Members", which in a Recommendation refers to ILO member States, and not to the members of a cooperative, as might be assumed by some readers. The same or similar changes have been made in all other Paragraphs whose corresponding points of the Conclusions refer to member States, i.e. Paragraphs 7, 8, 9, 10, 13 and 17.

Paragraph 5

(Point 8 of the Conclusions)

The Paragraph has been reworded in the passive. Moreover, for the sake of clarity, the words "the needs of" have been inserted between the words "including" and "dis-

advantaged", and the words "in order" have been inserted before the words "to achieve".

Paragraph 6

(Point 9 of the Conclusions)

The Paragraph has been reworded for editorial reasons, and, for the sake of consistency, the reference to Point 6 has been replaced by the reference to Paragraph 3. The latter change has been made in all other Paragraphs that contain a reference to Point 6 of the Conclusions.

Clause (c)

The clause has been reworded to avoid a repeat reference to the policy and legal framework.

Paragraph 7

(Point 10 of the Conclusions)

Subparagraph (2)

Some editorial changes have been made in this subparagraph. The Office invites comments as to whether the subparagraph should be subdivided into several clauses for reasons of clarity, and whether the words "en matière d'achat" in the French version should be replaced by the words "en matière d'achats publics".

Paragraph 8

(Point 11 of the Conclusions)

Subparagraph (1)(e)

This clause addresses two issues, i.e. occupational safety and health and productivity, without establishing a clear link between them. The Office invites comments as to whether the clause should be divided into two, or whether a link should be established in the text between occupational safety and health and productivity.

Paragraph 10

(Point 13 of the Conclusions)

Subparagraph (1)

Comments are invited on including in this subparagraph a reference to "regulations and legislation", instead of legislation only.

Subparagraph (2)

The Office invites comments as to whether the word "relevant" should be replaced by the word "applicable". It is felt that such a change would make the subparagraph more consistent with subparagraph (1).

Paragraph 12

(Point 15 of the Conclusions)

Clause (a)

The words "enable credit" have been replaced by the words "allow loans" so as to reflect more precisely the intention behind the clause.

Clause (c)

The Office wishes to clarify that the term "autonomous system of finance" means a system in which financial resources and transactions are controlled by different types of cooperative organizations, including those specifically mentioned in the clause.

Paragraph 15

(Point 18 of the Conclusions)

Clause (e)

This clause addresses two issues, i.e. productivity and equal opportunity, without establishing a clear link between them. The Office seeks guidance as to whether the clause should be divided into two, or whether a link should be established in the text between productivity and equal opportunity.

Paragraph 16

(Point 19 of the Conclusions)

Clause (d)

The words "of employees" have been retained, although it was felt that this phrase could be interpreted as unduly limiting the coverage of human resource development investments to be made by cooperatives. Members' views on this point are solicited.

Proposed Recommendation concerning the promotion of cooperatives

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 90th Session on June 2002, and

Recognizing that globalization has created new and different pressures, problems and opportunities for cooperatives,

Noting the Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference at its 87th Session (1998),

Noting the rights and principles embodied in international labour Conventions and Recommendations, in particular the Freedom of Association and the Right to Organise Convention, 1948; the Right to Organise and Collective Bargaining Convention, 1949; the Social Security (Minimum Standards) Convention, 1952; the Discrimination (Employment and Occupation) Convention, 1958; the Employment Policy Convention, 1964; the Rural Workers' Organisations Convention and Recommendation, 1975; the Human Resources Development Convention and Recommendation, 1975; the Employment Policy (Supplementary Provisions) Recommendation, 1984; and the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998,

Recalling the principle embodied in the Declaration of Philadelphia that "labour is not a commodity",

Stressing that the realization of decent work for workers everywhere is a primary objective of the ILO,

Having decided upon the adoption of certain proposals with regard to the promotion of cooperatives, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation;

adopts this day of June of the year two thousand and two the following Recommendation, which may be cited as the Promotion of Cooperatives Recommendation, 2002:

I. Scope, definition and objectives

1. This Recommendation applies to all types and forms of cooperatives.

2. For the purposes of this Recommendation, the term "cooperative" means an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned enterprise, making equitable contributions to the capital required, accepting a fair share of the risks and benefits, and participating actively in its democratic management.

3. The promotion and strengthening of the identity of cooperatives should be encouraged on the basis of:

(a) cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity; and

(b) internationally recognized cooperative principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community.

4. Measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, to assist their membership to:

(a) create and develop income-generating activities and sustainable decent employment;

(b) develop human resource capacities and knowledge of the values of the cooperative movement through education and training;

(c) gain access to markets and to institutional finance;

(d) increase savings and investment; and

(e) improve social and economic well-being, taking into account the need to eliminate all forms of discrimination.

5. The adoption of special measures to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to the needs of society, including the needs of disadvantaged groups in order to achieve their social inclusion, should be encouraged.

II. Policy framework and the role of governments

6. Governments should define and apply a supportive policy and legal framework which is consistent with the nature and function of cooperatives and which is guided by the cooperative values and principles listed in Paragraph 3, which would:

(a) establish an institutional framework with the purpose of allowing for the registration of cooperatives in as rapid, simple and efficient a manner as possible;

(b) provide for the adoption of measures for the oversight of cooperatives, on terms appropriate to their nature and functions, which respect their autonomy and which are no less favourable than those applicable to other forms of enterprise and social organization;

(c) facilitate the promotion of cooperative structures according to the needs of cooperative members; and

(d) encourage cooperative development, including in areas where cooperatives have an important role to play, or provide services which are not otherwise provided.

7. (1) The promotion of cooperatives guided by the values and principles set out in Paragraph 3 should be considered as one of the objectives of national and international economic and social development.

(2) Cooperatives should be treated on terms no less favourable than those accorded to other forms of enterprise and social organization. Support measures should be introduced, where appropriate, for the activities of cooperatives that meet specific social and public policy outcomes such as employment promotion or the development of

activities benefiting disadvantaged groups or regions. Such measures could include among others, and in so far as possible, tax benefits, loans, grants, access to public works programmes and special procurement provisions.

(3) Special consideration should be given to increasing women's participation in the cooperative movement at all levels.

8. (1) National policies should, inter alia:

(a) promote ILO core labour standards and the Declaration on Fundamental Principles and Rights at Work for all workers in cooperatives without distinction whatsoever, and ensure that cooperatives are not set up for, or directed at, non-compliance with labour laws or used to establish disguised employment relationships;

(b) promote gender equality in cooperatives and in their work;

(c) develop the technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential and general economic and social policy skills of members, workers and managers, and improve access to information and communication technologies;

(d) promote education and training in cooperative principles and practices, at all appropriate levels of the national education and training systems, and in the wider society;

(e) promote the adoption of measures which provide for safety and health in the workplace, and for training and other forms of assistance to improve the level of productivity of cooperatives and the quality of goods and services they produce;

(f) facilitate access to credit for cooperatives;

(g) facilitate access of cooperatives to markets;

(h) promote the dissemination of information on cooperatives; and

(i) seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies.

(2) Such policies should:

(a) decentralize to the regional and local levels, where appropriate, the formulation and implementation of policies and regulations regarding cooperatives;

(b) define legal obligations concerning cooperatives in areas such as registration, financial and social audits, and the receipt of licences; and

(c) promote best practice on corporate governance in cooperatives.

9. Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the "informal sector") into legally protected work fully integrated into mainstream economic life.

III. Implementation of policies for the promotion of cooperatives

10. (1) Specific legislation on cooperatives, which is guided by the cooperative values and principles set out in Paragraph 3, should be adopted and should be revised when appropriate.

(2) Cooperative organizations, as well as the employers' and workers' organizations concerned, should be consulted in the formulation and revision of legislation relevant to cooperatives.

11. (1) Cooperatives should have access to support services in order to strengthen their business viability and their capacity to create employment and income.

(2) These services should include, wherever possible, the following:

(a) human resource development programmes;

(b) research and management consultancy services;

(c) access to finance and investment;

(d) accountancy and audit services;

(e) management information services;

(f) information and public relations services;

(g) consultancy services on technology and innovation;

(h) legal and taxation services; and

(i) other services that support cooperatives operating in specific economic sectors.

(3) Governments should facilitate the establishment of these support services. Cooperatives and their organizations should be encouraged to participate in the organization and management of these services and, wherever feasible and appropriate, finance them.

12. Measures should be adopted to facilitate the access of cooperatives to investment finance and credit. Specific measures should:

(a) allow loans and other financial facilities to be offered;

(b) simplify administrative procedures, remedy the low level of cooperative assets and reduce the cost of loan transactions;

(c) facilitate an autonomous system of finance for cooperatives, including savings and credit, banking and insurance cooperatives; and

(d) include special provisions for disadvantaged groups.

13. For the promotion of the cooperative movement, conditions should be encouraged favouring the development of technical, commercial and financial linkages among all forms of cooperatives in order to facilitate an exchange of experience and the sharing of risks and benefits.

IV. Role of employers' and workers' organizations and cooperative organizations, and relationships between them

14. Employers' organizations should consider, where appropriate, the extension of membership to cooperatives wishing to join them and provide appropriate support services on the same terms and conditions as for other members.

15. Workers' organizations should be encouraged to:

(a) advise and assist workers in cooperatives to join workers' organizations;

(b) assist their members to establish cooperatives with the aim of facilitating access to basic goods and services;

(c) participate in committees and working groups at the national and local levels to consider economic and social issues having an impact on cooperatives;

(d) participate in the setting up of new cooperatives with a view to the creation or maintenance of employment, including in cases of proposed closures of enterprises;

(e) participate in programmes for cooperatives aimed at improving productivity and promoting equality of opportunity; and

(f) undertake any other activities for the promotion of cooperatives, including education and training.

16. Cooperative organizations, and in particular their unions and federations, should be encouraged to:

(a) establish an active relationship with employers' and workers' organizations and relevant governmental and non-governmental agencies with a view to creating a favourable climate for the development of cooperatives;

(b) manage their own technical support services, and contribute to their financing;

(c) provide commercial and financial services to affiliated cooperatives;

(d) invest in human resource development of employees;

(e) represent the national cooperative movement at the international level; and

(f) undertake any other activities for the promotion of cooperatives.

V. International cooperation

17. International cooperation should be facilitated through:

(a) exchanging information on policies and programmes which have proved to be effective in employment creation and income generation for members of cooperatives;

(b) encouraging and promoting linkages between national and international bodies and institutions involved in the development of cooperatives in order to permit:

(i) the exchange of personnel and ideas, of educational or training materials, methodologies and reference materials;

(ii) the compilation and utilization of research material and other data on cooperatives and their development;

(iii) the establishment of alliances and international partnerships between cooperatives; and

(iv) the promotion and protection of cooperative values and principles;

(c) access of cooperatives to national and international data such as market information, legislation, training methods and techniques, technology and product standards; and

(d) developing, wherever possible and in consultation with cooperatives, workers' organizations and employers' organizations concerned, common regional guidelines and legislation on cooperatives.

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